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**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA**

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10 ReBath LLC,	11 Plaintiff,	12 v.	13 HD Solutions LLC, et al.,	14 Defendants.	15
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No. CV-19-04873-PHX-JJT

**ORDER**

17 Pending before the Court are three discovery disputes between Plaintiff/Counter-  
18 defendant ReBath LLC (ReBath), and Defendant/Counterclaimant HD Solutions LLC (HD  
19 Solutions). (Docs. 120, 121, 122.)<sup>1</sup> On May 11, 2021, the Court held a discovery hearing  
20 on these matters, at which attorneys for both parties were present. (See Doc. 124.) After  
21 review of the parties' filings, and discussion held at the hearing, the Court will sustain  
22 ReBath's objections to HD's discovery requests for the reasons set forth below.

23 **I. Background.**

24 **a. Complaint, Counterclaims, and Scheduling Order.**

25 On August 1, 2019, ReBath initiated this action by filing a complaint for injunctive  
26 relief and damages (Complaint) against Defendants HD Solutions and Jason Hicks

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28 <sup>1</sup> The presiding District Court judge in this action, the Honorable John J. Tuchi, has referred  
these matters to this Court for resolution. (Doc. 123.)

1 (Defendants).<sup>2</sup> (Doc. 1.) Therein, ReBath alleges that Defendants have engaged in  
 2 trademark infringement by failing to “discontinue its use of the Rebath marks and system”  
 3 after terminating their franchise agreement with ReBath. (*Id.*) On September 16, 2019,  
 4 Defendants filed an Answer to ReBath’s Complaint and counterclaims, alleging two counts  
 5 of “Tortious Interference With An Existing Business Relationship.” (Doc. 36.)

6 On October 7, 2019, ReBath filed a Motion to Dismiss Defendants’ counterclaims.  
 7 (Doc. 46.) On January 24, 2020, after briefing, the Court granted ReBath’s Motion, and  
 8 dismissed both counterclaims. (Doc. 70.)

9 On November 22, 2019, Defendants filed a Motion for Judgment on the Pleadings.  
 10 (Doc. 62.) On March 27, 2020, the Court granted Defendants’ Motion in part, and granted  
 11 ReBath leave to file an amended complaint within 14 days of the Order. (Doc. 82.)

12 That same day, the Court held a Scheduling Conference between the parties  
 13 (doc. 83), and issued a Scheduling Order setting *inter alia* a discovery deadline of February  
 14 19, 2021, and a dispositive motion deadline of April 23, 2021 (doc. 84).

15 **b. First Amended Complaint and Counterclaims.**

16 On April 10, 2020, ReBath filed its four-count First Amended Complaint (FAC).  
 17 (Doc. 85.) Therein, ReBath alleges the following claims:

- 18 (1) Trademark Infringement in violation of the Lanham Act § 32(1)  
     (15 U.S.C. § 1114);
- 19 (2) False Designation of Origin in Violation of the Lanham Act § 43(a)  
     (15 U.S.C. § 1125(a)(1)(A));
- 20 (3) Cybersquatting in Violation of the Lanham Act § 43(d) (15 U.S.C.  
     § 1125(d)); and
- 21 (4) Breach of Contract by Defendant HD Solutions (Franchise Agreement).

22 (Doc. 85 at 17-22.) ReBath also seeks *inter alia* declaratory relief, injunctive relief,  
 23 compensatory damages, treble damages as provided under 15 U.S.C. § 1117, disgorgement  
 24 of all moneys realized by Defendants’ unauthorized use of the Re-Bath Marks or any form  
 25 thereof, ReBath’s costs and attorneys’ fees as provided under the Lanham Act and

26  
 27  
 28 <sup>2</sup> The Complaint also named Defendant David Driskill (doc. 1), but Defendant Driskill was  
     voluntarily dismissed from this action on August 8, 2019 (doc. 22).

1 Franchise Agreement. (Doc. 85 at 22-23.)

2 On April 24, 2020, Defendants filed their Answer to the FAC, and HD Solutions  
 3 asserted new counterclaims. (Doc. 88.) In its counterclaims, HD Solutions alleges three  
 4 counts of trade secret misappropriation against ReBath. (*Id.*) Specifically, HD Solutions  
 5 asserts that ReBath unlawfully acquired, retained, used, and disclosed HD Solutions's  
 6 protected Customer List/Database (the Customer List) in violation of the Federal  
 7 Defendant Trade Secrets Act (18 U.S.C. § 1836, *et seq.*), the Arizona Uniform Trade  
 8 Secrets Act (Ariz. Rev. Stat. § 44-401, *et seq.*), and the Texas Uniform Trade Secrets Act  
 9 (Tex. Civ. Prac. & Rem. Code § 134A.001, *et seq.*). (Doc. 88 at 29-33.) HD Solutions seeks  
 10 *inter alia* declaratory relief, injunctive relief, monetary relief (in the form of compensatory  
 11 and actual damages, restitution, and revenues and profits from ReBath's wrongful  
 12 conduct), "exemplary, punitive, and enhanced damages," and attorneys fees to the extent  
 13 permitted by law. (*Id.* at 34.)

14 On May 22, 2020, ReBath filed a Motion to Dismiss HD Solutions's counterclaims.  
 15 (Doc. 94.) On September 18, 2020, after briefing, the Court denied ReBath's Motion.  
 16 (Doc. 98.)

17 **c. Extensions of Discovery and Discovery Disputes.**

18 To date, the parties have sought three extensions of case management deadlines  
 19 from the Court. (Docs. 100 (October 15, 2020), 102 (October 27, 2020), and 107 (January  
 20 27, 2021).) On November 2, 2020, the Court granted the parties' second Motion for  
 21 Extension of the Deadlines (doc. 102), and extended the discovery deadline until June 18,  
 22 2021, and the dispositive motion deadline until September 24, 2021. (Doc. 103.) On  
 23 January 28, 2021, the Court granted Defendants' unopposed Motion to Extend Deadlines  
 24 for Initial and Rebuttal Expert Disclosures, setting new deadlines of March 5, 2021 and  
 25 April 2, 2021, respectively. (Doc. 108.)

26 On March 30, 2021, the parties filed a "Joint Summary of Discovery Dispute"  
 27 related to ReBath's Amended Notice of Rule 30(b)(6) Deposition to Defendant HD  
 28 Solutions. (Doc. 116.) Specifically, the parties disputed whether the topics noticed by

1 ReBath were sufficiently stated with reasonable particularity under Rule 30(b)(6). (*Id.*) On  
 2 April 1, 2021, the Court held a telephonic Discovery Dispute Hearing, and took the matter  
 3 under advisement. (*See* Doc. 118.)

4 **d. Pending Discovery Disputes.**

5 On April 28, 2021, the parties filed three additional Joint Summaries of Discovery  
 6 Disputes. (Docs. 120, 121, 122.) On April 30, 2021, the District Court referred the parties’  
 7 current discovery disputes (docs. 120, 121, 122) to this Court for resolution. (Doc. 123.)  
 8 On May 11, 2021, the Court held a discovery dispute hearing, at which both parties  
 9 appeared. (Doc. 125.)

10 **II. Legal Standard.**

11 “[B]road discretion is vested in the trial court to permit or deny discovery.” *Hallett*  
 12 *v. Morgan*, 296 F.3d 732, 751 (9th Cir. 2002).

13 Parties may obtain discovery regarding any nonprivileged matter that is  
 14 relevant to any party’s claim or defense and proportional to the needs of the  
 15 case, considering the importance of the issues at stake in the action, the  
 16 amount in controversy, the parties’ relative access to relevant information,  
 17 the parties’ resources, the importance of the discovery in resolving the issues,  
 18 and whether the burden or expense of the proposed discovery outweighs its  
 19 likely benefit. Information within this scope of discovery need not be  
 20 admissible in evidence to be discoverable.

21 Fed. R. Civ. P. 26(b)(1); *see In re Bard IVC Filters Prods. Liab. Litig.*, 317 F.R.D. 562,  
 22 563-65 (D. Ariz. 2016).<sup>3</sup> “Evidence is relevant if: (a) it has any tendency to make a fact  
 23 more or less probable than it would be without the evidence; and (b) the fact is of  
 24 consequence in determining the action.” Fed. R. Evid. 401; *see Nei v. Travelers Home and*  
 25 *Marine Ins. Co.*, 326 F.R.D. 652, 656 (D. Mont. 2018) (“[R]elevance is defined broadly.”).  
 26 Despite the broad scope of relevance, discovery is limited where:

27 (i) the discovery sought is unreasonably cumulative or duplicative, or can be  
 28 obtained from some other source that is more convenient, less burdensome,

29 <sup>3</sup> Fed. R. Civ. P. 26 was amended in 2015 to limit the scope of discovery to evidence  
 30 “relevant to any party’s claim or defense and proportional to the needs of the case.” Prior  
 31 to this amendment, the scope of discovery was broader, including evidence “reasonably  
 32 calculated to lead to the discovery of admissible evidence.” Citing a problem with “over-  
 33 discovery,” the Advisory Committee deleted this phrase in the 2015 amendment, noting  
 34 that it “might swallow any other limitation on the scope of discovery.” Fed. R. Civ. P. 26,  
 35 Advisory Committee Notes; *see generally In re Bard*, 317 F.R.D. at 563-65.

1 or less expensive;

2 (ii) the party seeking discovery has had ample opportunity to obtain the  
3 information by discovery in the action; or

4 (iii) the proposed discovery is outside the scope permitted by Rule 26(b)(1).

5 Fed. R. Civ. P. 26(b)(2)(C).

6 If a party fails to fully comply with a discovery request from another party, the  
7 “party seeking discovery may move for an order compelling [discovery].” Fed. R. Civ. P.  
8 37(a)(3)(B). “[T]he party seeking discovery has the burden to show the relevancy of the  
9 request.” *Nei*, 326 F.R.D. at 656. In turn, “[t]he party seeking to avoid discovery bears the  
10 burden of showing why that discovery should not be permitted.” *V5 Techs. v Switch, Ltd.*,  
11 334 F.R.D. 306, 309 (D. Nev. 2019).

12 **III. Discussion.**

13 On December 29, 2020, HD Solutions served its First Set of Requests for Production  
14 of Documents on ReBath (doc. 106), and issued a subpoena to non-party, and ReBath’s  
15 current San Antonio-franchisee, Texas Design and Construction, Inc. (Texas Design)  
16 (*see* doc. 120-3). On February 1, 2021, ReBath responded to HD Solutions’s First Requests  
17 for Production. (*See, e.g.*, Doc. 120-2.) The record does not show that Texas Design has  
18 responded to HD Solutions’s subpoena.

19 On April 28, 2021, the parties filed the now pending Joint Summaries of Discovery  
20 Disputes. (Docs. 120, 121, 122.) Therein, HD Solutions asks the Court to compel ReBath  
21 to produce responsive discovery to several Requests for Production (RFP), to which HD  
22 Solutions believes it is entitled. (*See id.*) Specifically, HD Solutions puts at issue ReBath’s  
23 responses to RFP Nos. 1, 7, 20, and 31. (*Id.*) However, through both its filings and its  
24 representations at the hearing, HD Solutions has narrowed its requests considerably from  
25 those presented in the December 29, 2020 Requests for Production. (*Id.*)

26 Ultimately, the parties’ current discovery disputes distill into three issues:

27 (1) HD Solutions seeks to discover the profit and loss statements of a current  
28 ReBath-franchisee (and non-party to this action) operating in San  
Antonio – Texas Design.

ReBath objects to HD Solutions's request as beyond the scope of discovery, irrelevant, and overbroad. (Doc. 120.)

(2) HD Solutions seeks to discover ReBath's "financial statements, cash flow statements, and tax returns from January 1, 2019 through the present."

ReBath objects to HD Solutions's request as irrelevant and not proportional to the needs of this case. (Doc. 121.)

(3) HD Solutions seeks to discover all “documents concerning agreements between ReBath and Texas Design,” including but not limited to a full and unredacted copy of those entities’ current Franchise Agreement.

ReBath objects to HD Solutions's request as irrelevant and seeking confidential information that may cause competitive harm to ReBath. (Doc. 122.)

10        Here, the Court considers the parties’ three Joint Summaries of Discovery Disputes  
11 (docs. 120, 121, 122), and the discussions held by the Court at the May 11, 2021 Discovery  
12 Dispute Hearing (doc. 125). For the reasons discussed below, the Court will sustain  
13 ReBath’s objections to HD Solutions’s discovery requests because HD Solutions’s requests  
14 are either overbroad, irrelevant, or not proportional to the needs of this action.

15            a.     HD Solutions is not entitled to Profit and Loss Statements of Texas  
16            Design.

17        In the first Joint Summary, HD Solutions asks the Court to compel ReBath to  
18 “produce Texas Design’s monthly profit and loss statements showing revenue, costs, and  
19 profits so that HD Solutions can sufficiently determine counterclaim damages.” (Doc. 120  
20 at 2.) HD Solutions argues that “by not producing relevant financial information from  
21 Texas Design, ReBath is impeding discovery and HD Solutions’s ability to calculate its  
22 counterclaim damages claim.” (*Id.*)

23 In response, ReBath argues that “[t]here is no legitimate reason why HD Solutions  
24 needs to see the monthly profit and loss statements of its direct competitor – a non-party in  
25 this case.” (*Id.* at 3.) Specifically, ReBath asserts that the calculation of HD Solutions’s  
26 potential counterclaim damages have nothing to do with Texas Design’s overall profits and  
27 losses. (*Id.*) Instead, any damages HD Solutions may secure based on its trade secret  
28 misappropriation counterclaims would be calculated based on the royalties ReBath

1 received from Texas Design as a result of sales made using HD Solutions's protected  
 2 Customer List. (*Id.*) The Court agrees.

3 Texas Design's profit and loss statements are irrelevant to the calculation of HD  
 4 Solutions's potential damages for misappropriation. In its counterclaims, HD Solutions  
 5 seeks relief against ReBath under the Federal Defendant Trade Secrets Act, the Arizona  
 6 Uniform Trade Secrets Act, and the Texas Uniform Trade Secrets Act. (*See* Doc. 88 at 29-  
 7 32.) Under each of these statutes, damages for an alleged trade secret misappropriation is  
 8 limited to those damages that stem from the alleged misappropriation. *See* 18 U.S.C. §  
 9 1836(b)(2)(B)<sup>4</sup>; Ariz. Rev. Stat. § 44-403(A)<sup>5</sup>; Tex. Civ. Prac. & Rem. Code § 134A.004<sup>6</sup>.

10 \_\_\_\_\_  
 11 <sup>4</sup> 18 U.S.C. § 1836(b) states in relevant part:

12 **(3) Remedies.**--In a civil action brought under this subsection with respect  
 13 to the misappropriation of a trade secret, a court may—

14 **(B) award--**

- 15 (i) (I) damages for actual loss caused by the misappropriation of the  
 16 trade secret; and  
 17 (II) damages for any unjust enrichment caused by the  
 18 misappropriation of the trade secret that is not addressed in computing  
 19 damages for actual loss; or  
 20 (ii) in lieu of damages measured by any other methods, the damages  
 21 caused by the misappropriation measured by imposition of liability  
 22 for a reasonable royalty for the misappropriator's unauthorized  
 23 disclosure or use of the trade secret;

24 <sup>5</sup> Ariz. Rev. Stat. § 44-403(A) states in relevant part:

25 . . . [A] complainant is entitled to recover damages for misappropriation.  
 26 Damages may include both the actual loss caused by misappropriation and  
 27 the unjust enrichment caused by misappropriation that is not taken into  
 28 account in computing actual loss. In lieu of damages measured by any other  
 29 methods, the damages caused by misappropriation may be measured by  
 30 imposition of liability for a reasonable royalty for a misappropriator's  
 31 unauthorized disclosure or use of a trade secret.

32 <sup>6</sup> Tex. Civ. Prac. & Rem. Code § 134A.004 states in relevant part:

33 In addition to or in lieu of injunctive relief, a claimant is entitled to recover  
 34 damages for misappropriation. Damages can include both the actual loss  
 35 caused by misappropriation and the unjust enrichment caused by  
 36 misappropriation that is not taken into account in computing actual loss. In  
 37 lieu of damages measured by any other methods, the damages caused by  
 38 misappropriation may be measured by imposition of liability for a reasonable  
 39 royalty for a misappropriator's unauthorized disclosure or use of a trade  
 40 secret.

1       At the hearing, HD Solutions argued that it is entitled to “broad discovery” relevant  
 2 to establishing its damages. But ReBath has already disclosed documents to HD Solutions  
 3 reflecting all sales made by Texas Design (complete with the date, name, address, amount,  
 4 and description of services for the sale), all royalties received by ReBath for each of those  
 5 sales, and all marketing and advertising fees invoiced to Texas Design by ReBath through  
 6 the present.

7       When asked by the Court as to why the information already produced was  
 8 insufficient to calculate its counterclaim damages, HD Solutions did not provide an  
 9 explanation. Instead, HD Solutions argued that Texas Design’s profit and loss statements  
 10 were necessary for verification of the amount of royalties received by ReBath from Texas  
 11 Design. The Court disagrees.

12      Texas Design is not a party to this action and is a local competitor of HD Solutions.  
 13 To the extent HD Solutions can recover on its trade-secret misappropriation claims, the  
 14 only relevant calculation appears to be what royalties ReBath received as a result of Texas  
 15 Design’s sales. HD Solutions does not allege that the royalties reported by ReBath are  
 16 fraudulent. The Court declines to compel disclosure of Texas Design’s profit and loss  
 17 information could cause them competitive harm for the sole purpose of satisfying HD  
 18 Solutions’s unfounded skepticism.

19      At the hearing, HD Solutions also argued that Texas Design’s profit and loss  
 20 statements are relevant as to establishing whether ReBath “mitigated damages” that it seeks  
 21 in its trademark infringement claim. When asked to explain how the requested discovery  
 22 could show mitigation, HD Solutions answered as follows:

23      Under ReBath’s claims, they are seeking two buckets of financial relief on  
 24 their trademark infringement claims. The first bucket is disgorgement of HD  
 25 Solutions’s profits. I am going to set that aside for now. They are also seeking  
 26 damages under 15 U.S.C. § 1117(a). So, they are essentially seeking actual  
 27 damages. And so, because they are seeking not just disgorgement, they are  
 28 seeking damages, they would have a duty to mitigate by putting a new  
 franchisee in the San Antonio market after my client terminated the franchise  
 agreement because of an arbitration ruling saying ReBath material breached  
 the franchise agreement that my client had with ReBath. So all the fees, not  
 just the royalties, but also the initial franchise fee, any advertising fund  
 payments, any marketing fund payments, that Texas Design paid to ReBath  
 during the months that ReBath is seeking damages and Texas Design had the

1 new franchise agreement with ReBath, those would all go to mitigation or  
 2 ReBath's damages, not the disgorgement of profits, but ReBath's damages  
 which it is claiming in this case.

3 (See Record of May 11, 2021 Hearing, 10:12:05 a.m. – 10:14:00 a.m.)

4 HD Solutions argument is not persuasive. ReBath has already produced discovery  
 5 disclosing the royalties, advertising fees, and marketing fees that ReBath has assessed  
 6 Texas Design during the relevant period. Thus, to the extent those other fees *are* relevant  
 7 to assessing whether ReBath mitigated its damages, HD Solutions is already in possession  
 8 of that information.

9 Accordingly, the Court finds that HD Solutions's request for Texas Design's profit  
 10 and loss statements are not relevant to this action and are beyond the scope of discovery.  
 11 The Court will sustain ReBath's objection to HD Solutions's RFP No. 7, and deny HD  
 12 Solutions's request for the Court to compel production of the requested profit and loss  
 13 statements.

14 **b. HD Solutions is not entitled to ReBath's financial statements, cash flow  
 15 statements, and tax returns.**

16 In the second Joint Summary, HD Solutions asks the Court to compel ReBath to  
 17 produce "documents concerning ReBath's financial statements, cash flow statements, and  
 18 tax returns from January 1, 2019 through the present."<sup>7</sup> (Doc. 121 at 2.) HD Solutions  
 19 argues that "[b]oth parties' damages claims make ReBath's financials relevant." (*Id.*)  
 20 Specifically, HD Solutions argues that: (1) ReBath's financials are necessary to assess  
 21 whether ReBath actually suffered or mitigated any damages as it claims; and (2) ReBath's  
 22 financials are critical to HD Solutions's pursuit of exemplary and punitive damages. (Doc.  
 23 121 at 2.)

24 ReBath objects to HD Solutions's request. (*Id.* at 3.) ReBath asserts that neither the  
 25 damages of ReBath's trademark infringement claims, nor the damages of HD Solutions's

26  
 27 <sup>7</sup> The Court notes that HD Solutions's RFP No. 31 was significantly broader in scope than  
 28 the request made in the Joint Summary. (*Compare* Doc. 121-2 at 20 *with* Doc. 121 at 2.) At the hearing, however, HD Solutions stated that it is narrowing its request to compel production to just the information listed in the Joint Summary. (See Recording of May 11, 2021 Hearing, 10:27:05 a.m. – 10:28:20 a.m.)

1 misappropriation claims are tied to ReBath's financials; rather, both damages claims rely  
 2 solely on HD Solutions's financials. (*Id.*) The Court largely agrees and will deny HD  
 3 Solutions's request to compel for the reasons stated below.

4 **1. Mitigation.**

5 HD Solutions first argues that it must obtain ReBath's financials to show ReBath  
 6 failed to mitigate its damages. Specifically, HD Solutions states:

7 [ReBath's financials] are needed for HD Solutions to assess whether ReBath  
 8 has actually suffered (or mitigated) any damages as it claims, which must be  
 9 established with reasonable certainty. *See Lindy Pen Co., Inc. v. Bic Pen*  
 10 *Corp.*, 982 F.2d 1400, 1407 (9th Cir. 1993) ("Damages are typically  
 11 measured by any direct injury which a plaintiff can prove, as well as any lost  
 12 profits which the plaintiff would have earned but for the infringement."),  
*abrogated on other grounds, SunEarth, Inc. v. Sun Earth Solar Power Co.*,  
 839 F.3d 1179 (9th Cir. 2016). If ReBath is unwilling to produce its financial  
 documents that would show financial harm it has or has not suffered, then its  
 claim for damages cannot go forward.

13 (Doc. 121 at 2.)

14 HD Solutions's argument is not persuasive. HD Solutions has failed to show how  
 15 ReBath's financials are relevant to an issue of mitigation. HD Solutions has not articulated  
 16 how they intend to use ReBath's financials to demonstrate that ReBath failed to potentially  
 17 "mitigate" damages. Additionally, it seems that any analysis of ReBath's financials –  
 18 which are made up of the aggregate of ReBath's dealings with more than 100 franchisees  
 19 nationwide – would have little correlation to ReBath's potential mitigation of damages in  
 20 the narrow context of the San Antonio market at issue here. What is more, the only  
 21 potentially relevant financial information necessary to assess ReBath's damages or  
 22 mitigation is information that ReBath has already produced – the sales, marketing, and  
 23 advertising information from ReBath's new San Antonio-franchisee, Texas Design.

24 At the hearing, HD Solutions also argued that it must receive ReBath's financials  
 25 because ReBath is seeking both disgorgement of HD Solutions's profits and actual  
 26 damages under 15 U.S.C. § 1117(a). HD Solutions contends that because ReBath is seeking  
 27 *actual* damages under 15 U.S.C. § 1117(a), HD Solutions is entitled to investigate the  
 28 legitimacy of those actual damages and any potential failure to mitigate those actual

1 damages. But ReBath made clear on the record that HD Solutions's characterization of the  
 2 damages it seeks is not accurate. Specifically, ReBath stated that it is seeking only the  
 3 "disgorgement of profit and then *in the alternative* the reasonable royalty that HD Solutions  
 4 would have paid to ReBath had it been a franchisee during the infringing timeframe." (See  
 5 Recording of May 11, 2021 Hearing, at 10:57:00 a.m. – 10:57:41 a.m.) Neither of these  
 6 calculations require investigation of ReBath's financials.

7 **2. Exemplary or Punitive Damages.**

8 HD Solutions next argues that ReBath's financials are critical to HD Solutions's  
 9 pursuit of exemplary and punitive damages. (Doc. 121 at 2.) Specifically, HD Solutions  
 10 asserts that discovery of a party's financial information and net worth is appropriate where  
 11 a plaintiff is seeking punitive damages against that party, even without a *prima facie*  
 12 showing that punitive damages will be available. (See *id.* (citing *Lopez v. Mausun Computer Sys. Inc.*, 2015 WL 13766312, \*2 (D. Ariz. May 6, 2015) (granting motion to  
 13 compel financial information relevant to punitive damages "without a *prima facie* showing  
 14 by Plaintiff"); *Momot v. Mastro*, 2011 WL 1833349, \*5 (D. Nev. May 13, 2011)  
 15 ("Although the Ninth Circuit has not defined the parameters of the dissemination of  
 16 financial information during discovery when punitive damages are alleged . . . most courts  
 17 do not require the plaintiff to make a *prima facie* showing of merit on its punitive damage  
 18 claim before permitting discovery of a defendant's net worth."))).

19 "The State of Arizona has adopted a general rule mandating that 'prima facie proof  
 20 of a defendant's liability for punitive damages [is necessary] before his wealth or financial  
 21 condition may be discovered." *Richbourg v. Jimerson*, No. CV-12-0136-TUC-BGM, 2012  
 22 WL 4355906, at \*2 (D. Ariz. Sept. 24, 2012) (citing *Larriva v. Montiel*, 691 P.2d 735, 736  
 23 (Ariz. Ct. App. 1984)). Other federal courts are split regarding whether to allow pretrial  
 24 discovery of financial information prior to a plaintiff to establish a *prima facie* case of  
 25 punitive damages. See *CEH, Inc. v. FV "Seafarer"* (ON 675048), 153 F.R.D. 491, 499  
 26 (D.R.I. 1994) (discussing majority and minority rule).

27 Although Rule 26(b)(1) allows for broad discovery, a litigant's right to that

1 discovery is not unlimited. “District courts need not condone the use of discovery to engage  
 2 in ‘fishing expedition[s].’” *Rivera v. Nibco, inc.*, 364 F.3d 1057, 1072 (9th Cir. 2004).  
 3 Toward this end, the Court has the inherent power to control discovery as it deems  
 4 necessary. *See Blackie v. Barrack*, 524 F.2d 891 (9th Cir. 1975).

5 Here, unlike in *Lopez* (where plaintiff sought punitive damages for her claims of  
 6 employment discrimination and retaliation) or *Momot* (where plaintiff sought punitive  
 7 damages for his claims of fraud and unjust enrichment), HD Solutions is seeking punitive  
 8 damages for trade secret misappropriation. (See Doc. 88.) In a trade secret misappropriation  
 9 context, any punitive damage award is capped at “not more than 2 times the amount of  
 10 damages awarded” for actual damages, unjust enrichment, or by imposition of liability for  
 11 reasonable royalty for the misappropriator’s unauthorized disclosure or use of the trade  
 12 secret. *See* 18 U.S.C. § 1836(b)(3)(C). *See also* Ariz. Rev. Stat. § 44-403(B) (“If willful  
 13 and malicious misappropriation exists, the court may award exemplary damages in an  
 14 amount not exceeding twice any award made under subsection A.”); Tex. Civ. Prac. &  
 15 Rem. Code § 134A.004(b) (“If willful and malicious misappropriation is proven by clear  
 16 and convincing evidence, the fact finder may award exemplary damages in an amount not  
 17 exceeding twice any award made under Subsection (a.”)).

18 Because any damages HD Solutions may receive are easily calculable based on the  
 19 royalty the ReBath earned as a result of their alleged misappropriation, and the resulting  
 20 punitive damages are capped at twice that number, it seems both burdensome and overly  
 21 invasive to compel production of ReBath’s financials. Such discovery would provide no  
 22 benefit to establishing the amount of punitive damages available but may well cause  
 23 competitive harm to ReBath as a competitor of HD Solutions. *See CEH, Inc.*, 153 F.R.D.  
 24 at 499 (“The Court does recognize that a protective order may not always protect a party.  
 25 For example, if the plaintiff and the defendant were business competitors, disclosure of the  
 26 defendant’s financial records to the plaintiff, even with a protective order, could cause the  
 27 defendant great harm. In such circumstances, a delay in discovery until a *prima facie*  
 28 showing of entitlement to punitive damages is shown might be justified.”).

### 3. Proportionality.

The Court also finds that HD Solutions's request for ReBath's financial information is not proportional to the needs of this case. *See* Fed. R. Civ. P. 26(b)(1); *In re Bard IVC Filters Prods. Liab. Litig.*, 317 F.R.D. at 563-65. Rule 26(b)(1) identifies several factors courts may consider in addressing proportionality, including *inter alia* the importance of the discovery in resolving the issues, and the parties' relative access to that relevant information. *See* Fed. R. Civ. P. 26(b)(1); Rule 26, Advis. Comm. Notes for 2015 Amends.

Here, the importance of HD Solutions's requested discovery to resolving the issues at stake is marginal at best, and weighs against finding the request proportional. As discussed above, obtaining ReBath's financial information would do little to assist with calculating the potential damages for either party's claims. And to the extent HD Solutions seeks the information to show ReBath failed to mitigate their damages, ReBath has already produced responsive discovery containing the information HD Solutions purports to need.

The parties' relative access to the information also weighs against finding HD Solutions's request proportional. As discussed at the hearing, ReBath has already disclosed the sales, marketing, and advertising information for ReBath's new San Antonio-franchisee, Texas Design, during the relevant time period.

ReBath is a national franchisor of approximately 100 separate franchisees across the country. Its financials are comprised of the aggregate of its dealings with those companies. For the reasons discussed above, the Court finds that HD Solutions's request for the financial information of ReBath's entire company is not proportional to the needs of this case.

c. HD Solutions is not entitled to discover all documents concerning agreements between ReBath and Texas Design.

In the final Joint Summary, HD Solutions asks the Court to compel all “documents concerning agreements between ReBath and Texas Design.” (Doc. 122 at 2.) In support of its request, HD Solutions largely restates arguments it has made in the previous two Joint Summaries. Specifically, HD Solutions argues:

1 ReBath's and Texas Design's agreements are also<sup>8</sup> relevant to ReBath's  
 2 alleged damages. In addition to seeking disgorgement of profits, ReBath  
 3 claims it suffered damages. According to its damages report, ReBath seeks  
 4 damages for September 2019 and October 2019—when Texas Design signed  
 5 its franchise agreement, became a ReBath franchisee licensed to use its  
 6 trademarks, and could have begun sales. Texas Design's agreements will  
 7 reveal the terms of its financial obligations to pay ReBath an initial franchise  
 8 fee, royalty fees, advertising fund payments, and marketing fund payments.  
 9 All of these payments relate to and affect ReBath's total damages amount.  
 10 Without this information, HD Solutions cannot fully rebut ReBath's claimed  
 11 damages.

12 (Id.) ReBath objects to HD Solutions's requests because “Texas Design is *not* a party to  
 13 this case[,]” and “ReBath seeks damages associated with HD Solutions’ infringement,  
 14 which are comprised of the profits that *HD Solutions* earned while infringing on the ReBath  
 15 marks, or alternatively, what ReBath would have earned had *HD Solutions* used the marks  
 16 lawfully under a valid franchise/license agreement. The ReBath/Texas Design franchise  
 17 agreement is not relevant to ReBath’s damages[.]” (*Id.* at 3 (emphasis in original).) The  
 18 Court agrees.

19 ReBath has agreed to produce a redacted copy of its franchise agreement with Texas  
 20 Design under an attorneys’-eyes-only designation. The redacted copy will identify the  
 21 effective date of the franchise agreement and the royalty fee structure for Texas Design.  
 22 To the extent HD Solutions seeks additional disclosure of agreements between ReBath and  
 23 Texas Design, HD Solutions's request is denied.

24 Accordingly,

25 **IT IS ORDERED:**

26 1. Plaintiff ReBath's objections to Defendant HD Solutions's Requests for  
 27 Production Nos. 1, 7, 20, and 31 (docs. 120, 121, 122) are **sustained**.

28 2. Defendant HD Solutions's Requests for Court Orders Compelling  
 29 Production of Texas Design's profit and loss statements (doc. 120), ReBath's financial  
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31 <sup>8</sup> HD Solutions first argues that it is entitled to the requested discovery because, in its FAC,  
 32 ReBath alleges that it had difficulties selling its San Antonio franchise territory because of  
 33 Defendants' alleged use of ReBath's trademarks. However, ReBath has clarified that it “is  
 34 *not* seeking damages that derive directly” from “its efforts to secure a new franchisee in  
 35 the San Antonio area as a result of HD Solutions’ trademark infringement.” (See Doc. 122  
 36 at 2-3.) Accordingly, the Court need not address HD Solutions's argument on that point.

1 information (doc. 121), and documents concerning agreements between ReBath and Texas  
2 Design (doc. 122) are **denied**.

3 Dated this 13th day of May, 2021.

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6 Honorable John Z. Boyle  
7 United States Magistrate Judge  
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